

TOWNSHIP OF MUNISING, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Munising, Michigan		County Alger
Audit Date 3/31/05	Opinion Date 7/15/05	Date Accountant Report Submitted to State: 9/15/05		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASL GU).			X

Certified Public Accountant (Firm Name) Anderson, Tackman & Co, PLLC			
Street Address 103 W. Washington St, Suite 109	City Marquette	State MI	ZIP 49855
Accountant Signature Michael A. [Signature] CPA			

TABLE OF CONTENTS

Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Statement of Net Assets	11
Statement of Activities.....	12
Governmental Funds – Balance Sheet.....	13
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets	14
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balance	15
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	16
Fiduciary Funds – Statement of Net Assets	17
Notes to Financial Statements.....	18
REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION	
General Fund – Budgetary Comparison Schedule	29
OTHER SUPPLEMENTAL INFORMATION	
Major Governmental Funds – General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	31
Fiduciary Funds – Combining Statement of Net Assets	36
COMPLIANCE SUPPLEMENTS	
Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38
Report to Management Letter.....	39



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Supervisor and Members of
the Township Board of Trustees
Township of Munising, Michigan
Munising, Michigan 49895

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of the Township of Munising, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major funds and the aggregate remaining fund information of the Township of Munising, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the Footnotes, the Township of Munising, Michigan has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments, as amended and interpreted as of March 31, 2005.

Supervisor and Members of
The Township Board of Trustees
Munising, Michigan 49895

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2005, on our consideration of the Township of Munising, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, and budgetary comparison information on pages 5 through 10 and 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Munising, Michigan's basic financial statements. The schedules listed as other supplemental information in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Township of Munising, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

July 15, 2005

TOWNSHIP OF MUNISING, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of Munising, Michigan's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2005. Please read it in conjunction with the financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The Township's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A.
- Net assets for the Township as a whole increased by \$65,645 or 5 percent as a result of this year's operations.
- During the year, the Township had expenses for governmental activities that were \$423,173 and revenues of \$357,528.
- The General Fund reported a net fund balance of \$420,351. Net change in fund balance was \$264,035 higher than the forecasted decrease of \$218,872.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 7. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or financial position. Over time, increases or decreases in the

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the overall financial health of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township has no Business-Type Activities.

Reporting the Township's Most Significant Funds

Our analysis of the Township of Munising, Michigan's major funds begins on page 9. The fund financial statements begin on page 13 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township of Munising, Michigan's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- **Governmental funds** – Most of the Township of Munising, Michigan's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township of Munising, Michigan's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- **Proprietary funds** – When the Township of Munising, Michigan charges customers for the services it provides – whether to outside customers – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township of Munising, Michigan's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The Township of Munising, Michigan does not have any proprietary funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Township as Trustee

The Township of Munising, Michigan is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 17. We exclude these activities from the other financial statements because the Township of Munising, Michigan cannot use these assets to finance its operations.

The Township of Munising, Michigan is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township as a Whole

Table I provides a summary of the Township's net assets as of March 31, 2005.

Table 1 Net Assets	
Governmental Activities – 2005	
Current and other assets	\$ 434,363
Non-current assets	<u>1,166,101</u>
Total Assets	<u>1,600,464</u>
Current liabilities	78,270
Non-current liabilities	<u>96,053</u>
Total Liabilities	<u>174,323</u>
Net Assets:	
Invested in capital assets, net of related debt	1,101,843
Restricted	-
Unrestricted (deficit)	<u>324,298</u>
Total Net Assets	<u>\$1,426,141</u>

Net assets of the Township of Munising, Michigan's governmental activities stood at \$1,426,141. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$324,298.

The \$324,298 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township of Munising, Michigan as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2	
Changes in Net Assets	
	Governmental Activities – 2005
Revenues:	
Program Revenues:	
Charges for services	\$ 22,555
Operating Grants	15,424
Capital Grants	-
General Revenues:	
Property taxes	209,508
State Sources	228,936
Interest	5,744
Miscellaneous	<u>6,651</u>
Total Revenues	<u>488,818</u>
Program Expenses:	
Legislative	54,228
General Services and Administration	131,099
Public Safety	111,976
Public Works	29,315
Community & Economic Dev.	10,164
Recreation and Culture	73,028
Other	<u>13,363</u>
Total Expenses	<u>423,173</u>
Excess (deficiency) before transfers	65,645
Transfers	<u>-</u>
Increase (decrease) in net assets	65,645
Net assets, beginning, as restated	<u>1,360,496</u>
Net Assets, Ending	<u>\$1,426,141</u>

The Township of Munising, Michigan's total revenues were \$488,818. The total cost of all programs and services was \$423,173, leaving an increase in net assets of \$65,645. Our analysis below separately considers the operations of governmental activities:

Governmental Activities

The net assets of the Township of Munising, Michigan's governmental activities increased \$65,645 for the year ended March 31, 2005.

The Net Income was made up from \$47,163 in from Governmental Funds Net Income, Depreciation expense of \$90,825 and Reclassify of principal of \$109,307.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

THE TOWNSHIP'S FUNDS

As the Township of Munising, Michigan completed the year, its governmental funds (as presented in the balance sheet on page 13 reported a combined fund balance of \$420,351 which is an increase of \$47,163 from the beginning of the year.

The \$47,163 in Government Fund Net Income was due from an additional \$48,936 State Revenue Sharing to comply with new GASB 34 requirements and \$1,773 due to immaterial variances.

General Fund Budgetary Highlights

Over the course of the year, the Township of Munising, Michigan Board revised the budget a few times.

Amendments resulted in a net increase of \$0.

With these adjustments, actual charges to expenditures were \$88,167 less than the final amended budget. Conversely, revenues were \$175,868 more than the final budget projection.

The reason for having more revenue than budgeted is an additional \$48,936 added from additional State Revenue Sharing. No budget items were developed for \$69,283 fire mileage, \$26,295 for delinquent taxes, and \$10,871 for National Forest Reserve. \$20,945 is due from all other revenue accounts for a total of \$175,868 higher revenue than budget.

The reason for having fewer monies spent for roads was that \$39,863 was due to projects not being completed. Also \$65,847 for parks and recreation due to the recreation area project not being completed. \$44,567 less for all other accounts other than fire budget due to \$62,105 for unbudgeted truck payment, which resulted in a total of \$88,167 less expenditures than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the Township of Munising, Michigan had \$1,166,101 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities - 2005
Land	\$ 75,001
Land improvements	224,800
Buildings and improvements	526,300
Equipment and furnishings	340,000
	<u>\$1,166,101</u>

The Township of Munising, Michigan had no additions or deletions in fixed assets in the current year. Depreciation expense for the year was \$90,825.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At end of the fiscal year, the Township of Munising, Michigan had \$160,311 in bonds outstanding as depicted in Table 4 below.

Table 4 Outstanding Debt at Year-End	
	Governmental Activities - 2005
Building Loan	\$119,478
Fire Truck Loan	<u>40,833</u>
Total	<u>\$160,311</u>

The Township of Munising, Michigan had no new debt in the current year and made principal payments of \$109,307.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township of Munising, Michigan's budget for the year ending March 31, 2006

We looked at the past year's budget vs. actual and did our budget for 2006 with some minor adjustments.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township of Munising, Michigan's finances and to show the township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township of Munising, P.O. Box 42, Wetmore, MI 49895.

Township of Munising, Michigan

STATEMENT OF NET ASSETS

March 31, 2005

		Primary Government	
		Governmental Activities	Total
ASSETS			
Current Assets:			
Cash and investments		\$ 374,584	\$ 374,584
Cash and investments - restricted		-	-
Receivables (net)		59,779	59,779
TOTAL CURRENT ASSETS		434,363	434,363
Non-current assets:			
Land and construction in progress		350,001	350,001
Other capital assets		1,365,500	1,365,500
Accumulated depreciation		(549,400)	(549,400)
Total Capital Assets		1,166,101	1,166,101
TOTAL NON-CURRENT ASSETS		1,166,101	1,166,101
TOTAL ASSETS		1,600,464	1,600,464
LIABILITIES:			
Current Liabilities:			
Accounts payable		5,807	5,807
Accrued liabilities		8,205	8,205
Deferred revenue		-	-
Current portion of loans payable		64,258	64,258
Other current liabilities		-	-
TOTAL CURRENT LIABILITIES		78,270	78,270
Non-current Liabilities:			
Loans payable		96,053	96,053
TOTAL NON-CURRENT LIABILITIES		96,053	96,053
TOTAL LIABILITIES		174,323	174,323
NET ASSETS			
Invested in capital assets net of related debt		1,101,843	1,101,843
Restricted for:			
Debt Service		-	-
Unrestricted		324,298	324,298
TOTAL NET ASSETS		\$ 1,426,141	\$ 1,426,141

The accompanying notes are an integral part of these financial statements.

Township of Munising, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended March 31, 2005

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
Primary Government:					
Governmental Activities:					
Legislative	\$ 54,228	\$ -	\$ -	\$ -	\$ (54,228)
General services and administration	131,099	-	11,000	-	(120,099)
Public safety	111,976	-	1,745	-	(110,231)
Public works	29,315	19,315	2,679	-	(7,321)
Community and economic development	10,164	3,240	-	-	(6,924)
Recreation and culture	73,028	-	-	-	(73,028)
Other	13,363	-	-	-	(13,363)
Total Governmental Activities	423,173	22,555	15,424	-	(385,194)
TOTAL PRIMARY GOVERNMENT	\$ 423,173	\$ 22,555	\$ 15,424	\$ -	\$ (385,194)
General Revenues:					
Taxes					209,508
Unrestricted State sources					228,936
Interest and investment earnings					5,744
Miscellaneous					6,651
Transfers					-
TOTAL GENERAL REVENUES AND TRANSFERS					450,839
CHANGE IN NET ASSETS					65,645
Net assets, beginning of year					1,360,496
NET ASSETS, END OF YEAR					\$ 1,426,141

The accompanying notes are an integral part of these financial statements.

Township of Munising, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2005

	General Fund	Total Governmental Funds
ASSETS		
Cash and investments	\$ 374,584	\$ 374,584
Receivables	46,833	46,833
Taxes receivable	12,946	12,946
Due from other funds	-	-
TOTAL ASSETS	\$ 434,363	\$ 434,363
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 5,807	\$ 5,807
Due to other funds	-	-
Accrued payroll and related	8,205	8,205
Deferred revenue	-	-
TOTAL LIABILITIES	14,012	14,012
FUND BALANCE:		
Reserved for:	-	-
Capital outlay	-	-
Unreserved, reported in:		
General fund	420,351	420,351
TOTAL FUND BALANCE	420,351	420,351
TOTAL LIABILITIES AND FUND BALANCE	\$ 434,363	\$ 434,363

The accompanying notes are an integral part of these financial statements.

Township of Munising, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2005

Total Fund Balances for Governmental Funds		\$	420,351
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			1,166,101
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Current portion of bonds payable	64,258		
Bonds payable	96,053		<u>(160,311)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$	<u><u>1,426,141</u></u>

The accompanying notes are an integral part of these financial statements.

Township of Munising, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended March 31, 2005

	General Fund	Total Governmental Funds
REVENUES:		
Taxes	\$ 209,508	\$ 209,508
Licenses and permits	-	-
State sources	233,360	233,360
Local sources	11,000	11,000
Charges for services	22,555	22,555
Interest	5,744	5,744
Other	6,651	6,651
TOTAL REVENUES	488,818	488,818
EXPENDITURES:		
Current operations:		
Legislative	54,228	54,228
General services and administration	158,327	158,327
Public safety	117,105	117,105
Public works	29,315	29,315
Community and economic development	10,164	10,164
Recreation and culture	59,153	59,153
Other	13,363	13,363
Capital outlay	-	-
Debt service	-	-
TOTAL EXPENDITURES	441,655	441,655
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	47,163	47,163
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers (out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
CHANGE IN FUND BALANCE	47,163	47,163
Fund balance, beginning of year	373,188	373,188
FUND BALANCE, END OF YEAR	\$ 420,351	\$ 420,351

The accompanying notes are an integral part of these financial statements.

Township of Munising, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds

\$ 47,163

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense. This is
the amount by which capital outlays exceeded depreciation in the
current period.

Capital outlays
Depreciation expense

\$ -
(90,825)

(90,825)

Repayment of loan principal is an expenditure in the governmental
funds but the repayment reduces long-term liabilities in the statement
of net assets.

109,307

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 65,645

The accompanying notes are an integral part of these financial statements.

Township of Munising, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

March 31, 2005

	<u>Agency Funds</u>
ASSETS:	
Cash and investments	\$ -
TOTAL ASSETS	<u>\$ -</u>
LIABILITIES:	
Due to other funds	\$ -
Due to others	-
TOTAL LIABILITIES	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MUNISING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township of Munising, Michigan have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

The Township of Munising, Michigan's financial statements present the Township of Munising, Michigan (the primary government). In evaluating the Township of Munising, Michigan as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township of Munising, Michigan may or may not be financially accountable and, as such, be includable within the financial statements.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Township of Munising, Michigan's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township of Munising, Michigan does not have any activity that is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township of Munising, Michigan's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the Township of Munising, Michigan as an entity and the change in the Township of Munising, Michigan's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- **General Fund** – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Township reports the following major governmental funds:

The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to March 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Munising Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 - 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 - 2. The following considerations must be reviewed in determination of transfer approvals:
 - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the Township?
 - c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- f. The Township of Munising, Michigan adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is Prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

Cash Equivalents and Investments - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	25 years
Building, structures and improvements	25-40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5-10 years
Infrastructure	20-50 years

Long-Term Liabilities: In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Compensated Absences – The Township accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Interfund Activity – Interfund activity is reported as either, loans, services provided reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Implementation of New Accounting Principles – In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB No. 34). Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operation's.
 - Financial statements prepared using full accrual accounting for all of the Township's activities, including infrastructure (e.g. streets, bridges and sidewalks)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

The composition of cash and investments as reported in the Statement of Net Assets is presented below:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Investments:			
Unrestricted	\$ 374,584	\$ -	\$374,584
TOTAL	<u>\$ 374,584</u>	<u>\$ -</u>	<u>\$374,584</u>

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Composition of Balances:			
Cash in banks	\$ 364,084	\$ -	\$364,084
Certificates of Deposit	10,500	-	10,500
Petty Cash	-	-	-
TOTAL	<u>\$374,584</u>	<u>\$ -</u>	<u>\$ 374,584</u>

Act 196, PA 1997, authorized the Township to deposit and invest in:

- a. Bonds, securities, and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- d. United States government or Federal agency obligation repurchase agreements.
- e. Banker's acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.
- g. Obligation of the State of Michigan or its political subdivisions which are rated investment grade.
- h. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits

At year-end, the carrying amount of the Township's deposits was \$ 364,084 and the bank balance was \$ 362,202. Of the bank balance, \$100,016 was covered by federal depository insurance according to FDIC regulations.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE C – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, 2004	Additions	Disposals	Balance at March 31, 2005
GOVERNMENTAL ACTIVITIES:				
Land	\$ 75,001	\$ -	\$ -	\$ 75,001
Total Capital Assets, not being depreciated	<u>75,001</u>	<u>-</u>	<u>-</u>	<u>75,001</u>
Land improvements	275,000	-	-	275,000
Buildings and improvements	701,000	-	-	701,000
Furniture and equipment	<u>664,500</u>	<u>-</u>	<u>-</u>	<u>664,500</u>
Total Capital Assets being depreciated	<u>1,640,500</u>	<u>-</u>	<u>-</u>	<u>1,640,500</u>
Less Accumulated Depreciation:				
Land improvements	(39,200)	(11,000)	-	(50,200)
Buildings and improvements	(157,175)	(17,525)	-	(174,700)
Furniture and equipment	<u>(262,200)</u>	<u>(62,300)</u>	<u>-</u>	<u>(324,500)</u>
Total Accumulated Depreciation	<u>(458,575)</u>	<u>(90,825)</u>	<u>-</u>	<u>(549,400)</u>
Governmental Activities Capital Assets, Net	<u>\$1,256,926</u>	<u>\$(90,825)</u>	<u>\$ -</u>	<u>\$1,166,101</u>

A depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$14,650
Public Safety	62,300
Recreation and Culture	<u>13,875</u>
Total	<u>\$90,825</u>

NOTE D – LONG-TERM DEBT:

SCHEDULE OF BUILDING LOAN March 31, 2005

	Principal	Interest	Total
2005-2006	\$ 44,258	\$ 5,506	\$ 49,764
2006-2007	46,773	2,991	49,764
2007-2008	<u>28,447</u>	<u>582</u>	<u>29,029</u>
TOTALS	<u>\$119,478</u>	<u>\$9,079</u>	<u>\$128,557</u>

The Note originally issued for \$381,392 and dated October 22, 1997 mature monthly as scheduled above and bears a 5.54% interest rate.

NOTE D – LONG-TERM DEBT (Continued):

SCHEDULE OF FIRE TRUCK LOAN
March 31, 2005

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	\$20,000	\$1,940	\$21,940
2006-2007	20,000	990	20,990
2007-2008	833	40	873
TOTALS	<u>\$40,833</u>	<u>\$2,970</u>	<u>\$43,803</u>

The Note originally issued for \$304,000 and dated October 16, 2001 mature Semi-Annually with principle and interest due on February of each year and Interest due on October of each year as scheduled above and bears a 4.75% interest rate.

AGGREGATE SCHEDULE OF TOTAL LONG-TERM DEBT
March 31, 2005

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	\$64,258	\$7,446	\$71,704
2006-2007	66,773	3,981	70,754
2007-2008	29,280	622	29,902
TOTALS	<u>\$160,311</u>	<u>\$12,049</u>	<u>\$172,360</u>

Changes in long-term debt principal during the period ended March 31, 2005 are summarized as follows:

	<u>April 1, 2004</u>	<u>Additions</u>	<u>Subtractions</u>	<u>March 31, 2005</u>
Governmental Activities:				
Fire Truck Loan	\$108,262	\$ -	\$ 67,429	\$ 40,833
Building Loan	161,356	-	41,878	119,478
Total Governmental Activities	<u>269,618</u>	-	<u>109,307</u>	<u>160,311</u>
 TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	 <u>\$269,618</u>	 <u>\$ -</u>	 <u>\$109,307</u>	 <u>\$160,311</u>

NOTE E – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Local Governmental Unit 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2004 taxable valuation of the Local Governmental Unit totaled \$7,688,257, on which ad valorem taxes levied consisted of .9212 mills for the Local Governmental Unit operation purposes, and 1.4536 mills for fire truck debt service payments. These amounts are recognized in the General Fund, Road Fund financial statements as revenue.

NOTE F – CONTINGENT LIABILITIES:

Risk Management - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE G – EXCESS EXPENDITURES OVER APPROPRIATIONS:

Public Act 621 of 1978, Section 18 (1), as amended, provides that a Township shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Townships actual expenditures and budgeted expenditures for the General Fund and Special Revenue Funds have been shown on a functional basis.

The approved budgets to the Township General and Special Revenue Funds were adopted on an activity and/or program level. During the year ended March 31, 2005, the Township incurred functional expenditures which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Final Amended Budget</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
Supervisor	\$11,000	\$11,516	\$516
Clerk	13,000	13,868	868
Fire Department	55,000	117,105	62,105
Zoning	10,000	10,164	164

**REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION**

Township of Munising, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2005

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 101,900	\$ 101,900	\$ 209,508	\$ 107,608
State sources	180,500	180,500	233,360	52,860
Local sources	5,000	5,000	11,000	6,000
Charges for services	14,000	14,000	22,555	8,555
Interest and rents	1,500	1,500	5,744	4,244
Other revenues	10,050	10,050	6,651	(3,399)
TOTAL REVENUES	312,950	312,950	488,818	175,868
EXPENDITURES:				
Legislative	56,000	66,000	54,228	11,772
General services and administration	176,700	176,700	158,327	18,373
Public safety	55,000	55,000	117,105	(62,105)
Public works	72,822	72,822	29,315	43,507
Community and economic development	10,000	10,000	10,164	(164)
Recreation and culture	140,000	125,000	59,153	65,847
Other	19,300	24,300	13,363	10,937
TOTAL EXPENDITURES	529,822	529,822	441,655	88,167
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(216,872)	(216,872)	47,163	264,035
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	(216,872)	(216,872)	47,163	264,035
Fund balance, beginning of year	373,188	373,188	373,188	-
FUND BALANCE, END OF YEAR	\$ 156,316	\$ 156,316	\$ 420,351	\$ 264,035

**Other Supplemental
Information**

Township of Munising, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 60,000	\$ 43,904	\$ (16,096)
Current levy - fire truck	-	69,283	69,283
Delinquent taxes	-	26,295	26,295
Commercial forest reserve	-	1,243	1,243
Swamp tax	36,000	36,938	938
National forest reserve	-	10,871	10,871
Tax collection fees	5,900	20,974	15,074
Total Taxes	<u>101,900</u>	<u>209,508</u>	<u>107,608</u>
State Sources:			
State revenue sharing	180,000	228,936	48,936
Annual maintenance	-	2,679	2,679
Fire department grant	500	1,745	1,245
Total State Sources	<u>180,500</u>	<u>233,360</u>	<u>52,860</u>
Local Sources:			
2% gamini monies	5,000	11,000	6,000
Total Local Sources	<u>5,000</u>	<u>11,000</u>	<u>6,000</u>
Charges for Services:			
Zoning	2,000	3,240	1,240
Landfill	12,000	19,315	7,315
Total Charges for Services	<u>14,000</u>	<u>22,555</u>	<u>8,555</u>
Interest and Rents:			
Interest	1,000	4,324	3,324
Rents	500	1,420	920
Total Interest and Rents	<u>1,500</u>	<u>5,744</u>	<u>4,244</u>
Other Revenues:			
Miscellaneous other	10,050	6,651	(3,399)
Total Other Revenues	<u>10,050</u>	<u>6,651</u>	<u>(3,399)</u>
TOTAL REVENUES	<u>312,950</u>	<u>488,818</u>	<u>175,868</u>

Township of Munising, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	\$ 66,000	\$ 7,873	\$ 58,127
Supplies	-	1,095	(1,095)
Other services and charges	-	45,260	(45,260)
TOTAL LEGISLATIVE	<u>66,000</u>	<u>54,228</u>	<u>11,772</u>
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	11,000	10,466	534
Supplies	-	165	(165)
Other services and charges	-	885	(885)
Total Supervisor	<u>11,000</u>	<u>11,516</u>	<u>(516)</u>
Clerk:			
Personnel services	13,000	13,432	(432)
Supplies	-	385	(385)
Other services and charges	-	51	(51)
Total Clerk	<u>13,000</u>	<u>13,868</u>	<u>(868)</u>
Audit and Legal			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	12,500	12,124	376
Total Audit and Legal	<u>12,500</u>	<u>12,124</u>	<u>376</u>
Board of Review:			
Personnel services	1,200	701	499
Supplies	-	-	-
Other services and charges	-	145	(145)
Total Board of Review	<u>1,200</u>	<u>846</u>	<u>354</u>
Treasurer:			
Personnel services	25,500	14,571	10,929
Supplies	-	1,549	(1,549)
Other services and charges	-	7,012	(7,012)
Total Treasurer	<u>25,500</u>	<u>23,132</u>	<u>2,368</u>

Township of Munising, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Assessor:			
Personnel services	\$ 25,000	\$ 20,000	\$ 5,000
Supplies	-	-	-
Other services and charges	-	2,449	(2,449)
Total Assessor:	<u>25,000</u>	<u>22,449</u>	<u>2,551</u>
Elections:			
Personnel services	7,000	3,352	3,648
Supplies	-	1,446	(1,446)
Other services and charges	-	325	(325)
Total Elections	<u>7,000</u>	<u>5,123</u>	<u>1,877</u>
Township Hall and Grounds:			
Personnel services	80,000	2,015	77,985
Supplies	-	159	(159)
Other services and charges	-	16,095	(16,095)
Debt service	-	49,764	(49,764)
Total Township Hall and Grounds	<u>80,000</u>	<u>68,033</u>	<u>11,967</u>
Cemetery:			
Personnel services	1,500	520	980
Supplies	-	28	(28)
Other services and charges	-	688	(688)
Total Cemetery	<u>1,500</u>	<u>1,236</u>	<u>264</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>176,700</u>	<u>158,327</u>	<u>18,373</u>
PUBLIC SAFETY:			
Fire Department:			
Personnel services	55,000	24,095	30,905
Supplies	-	1,310	(1,310)
Other services and charges	-	19,054	(19,054)
Debt service	-	72,646	(72,646)
Total Fire Department	<u>55,000</u>	<u>117,105</u>	<u>(62,105)</u>
TOTAL PUBLIC SAFETY	<u>55,000</u>	<u>117,105</u>	<u>(62,105)</u>

Township of Munising, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
PUBLIC WORKS:			
Streets:			
Other services and charges	\$ 52,822	\$ 12,959	\$ 39,863
Total Streets	<u>52,822</u>	<u>12,959</u>	<u>39,863</u>
Streetlights:			
Other services and charges	14,000	12,830	1,170
Total Refuse Collection	<u>14,000</u>	<u>12,830</u>	<u>1,170</u>
Sanitation:			
Other services and charges	6,000	3,526	2,474
Total Refuse Collection	<u>6,000</u>	<u>3,526</u>	<u>2,474</u>
TOTAL PUBLIC WORKS	<u>72,822</u>	<u>29,315</u>	<u>43,507</u>
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Planning and Zoning Commission:			
Personnel services	10,000	5,026	4,974
Supplies	-	257	(257)
Other services and charges	-	4,881	(4,881)
Total Planning and Zoning Commission	<u>10,000</u>	<u>10,164</u>	<u>(164)</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>10,000</u>	<u>10,164</u>	<u>(164)</u>
RECREATION AND CULTURE:			
Parks and Recreation:			
Personnel services	125,000	2,682	122,318
Supplies	-	72	(72)
Other services and charges	-	56,399	(56,399)
Total Parks and Recreation	<u>125,000</u>	<u>59,153</u>	<u>65,847</u>
TOTAL RECREATION AND CULTURE	<u>125,000</u>	<u>59,153</u>	<u>65,847</u>
OTHER:			
Fringe Benefits:			
Social security	17,000	13,363	3,637
Retirement	-	-	-
Total Fringe Benefits	<u>17,000</u>	<u>13,363</u>	<u>3,637</u>

Township of Munising, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Insurance and bonds	\$ -	\$ -	\$ -
Miscellaneous	7,300	-	7,300
TOTAL OTHER	24,300	13,363	10,937
TOTAL EXPENDITURES	529,822	441,655	88,167
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(216,872)	47,163	264,035
OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	-	-
Transfers (Out):			
Fire Fund	-	-	-
Total Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	(216,872)	47,163	264,035
Fund balance, beginning of year	373,188	373,188	-
FUND BALANCE, END OF YEAR	\$ 156,316	\$ 420,351	\$ 264,035

Township of Munising, Michigan

FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

March 31, 2005

	Tax Collection Fund	Total
ASSETS		
Cash and investments	\$ -	\$ -
Due from other funds	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES		
Due to other funds	\$ -	\$ -
Due to others	-	-
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>

Compliance Supplements



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Supervisor and Township Board of Trustees
Township of Munising, Michigan
Wetmore, Michigan 49895

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Munising, Michigan as of and for the year ended March 31, 2005, and have issued our report thereon dated July 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other matters

As part of obtaining reasonable assurance about whether the Township of Munising, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in a separate letter to management dated July 15, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Munising, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and Township Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

July 15, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

Township of Munising, Michigan ***Report to Management Letter*** ***For the Year Ended March 31, 2005***

To the Honorable Supervisor
And Township Board
Township of Munising, Michigan
PO Box 42
Wetmore, MI 49895

In planning and performing our audit of the financial statements of the Township of Munising, Michigan for the year ended March 31, 2005, we considered its internal control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted no matters involving the internal control structure and its operation that we consider reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

INSTANCES OF NON-COMPLIANCE

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process.

To the Honorable Supervisor and Township Board
Township of Munising, Michigan

The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

The Township was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds as enumerated upon in the footnotes.

This report is intended solely for the information and use of the Township's management, and others within the Township Administration.

We appreciate and would like to thank the Township's staff for the cooperation and courtesy extended to us during our audit. We would be please to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

July 15, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

July 15, 2005

To the Honorable Supervisor and Township Board
Township of Munising, Michigan
PC Box 42
Wetmore, MI 49895

We have audited the financial statements of the Township of Munising; Michigan for the year ended March 31, 2005, and has issued our report thereon dated July 15, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As we stated in our engagement letter dated July 11, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies adopted by the Township are described in Footnote A to the financial statements. The Township adopted the provisions of GASB #34 for the reporting year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

F:\clients\Munising Township\Admin\AUD_COM.doc

To the Honorable Supervisor and Township Board
Township of Munising, Michigan

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the government unit's financial statements or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

This information is intended solely for the use of the Township Board and management of the Township of Munising, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants